

**SOUTH CAROLINA
STATE ELECTION COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

January 15, 2020

Members of the South Carolina State Election Commission
State of South Carolina
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Election Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2019. The Commission's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed-Upon Procedures Related to South Carolina State Election Commission (E28)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$3,500 and 10% for the general fund, \$16,000 and 10% for the earmarked fund, and \$90,000 and 10% for the restricted fund.
2. Compare current year procedures and fees documentation to those of the prior year to determine if any fee increases complied with Proviso 117.7.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$450,000 and 10% for the general fund, and \$160,000 and 10% for the earmarked fund.
4. Randomly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by agency procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the agency.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.
5. Haphazardly select fifteen purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with agency policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
6. Inspect the agency's Procurement Card Policies to determine if it complies with the State Fiscal Accountability Authority's South Carolina (SC) Purchasing Card Policy and Procedures manual. Additionally, determine if the agency's procedures provide adequate control over the agency's procurement card activity.

We found no exceptions as a result of the procedures.

Payroll

7. Select all five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the agency's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
8. Select all three employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
9. Haphazardly select five bonus pay disbursements to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Payment agreed to supporting documentation.
 - Bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

10. Haphazardly select four journal entries and one transfer for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedure.

Reporting Packages

11. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
12. In addition to the procedure above, perform the following:
 - Operating Leases Reporting Package

Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Rptg Operating Lease Expense with Vendor report and/or agency prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) One haphazardly selected contingent rental payment; and (2) Five haphazardly selected non-contingent rental and non-future minimum lease payments.

Select all three leases reported on the Future Minimum Lease Payment Schedule to determine that each lease was submitted to the CG and to determine the reported amounts were properly classified, coded and calculated.

Reporting Packages (Continued)

- **Litigation Reporting Package**

Determine if the agency had approval from the SC Attorney General's Office to hire attorneys from two law firms observed. Additionally, determine if the total amount of payments made to each law firm during the fiscal year reported on the Yearend Rptg – Litigation Expense report exceeded approved limits. Haphazardly select five attorney payment transactions from the Yearend Rptg – Litigation Expense report to ensure amounts were properly coded and within the approved service date range. Haphazardly select two legal services payment transactions from the Yearend Rptg – Litigation Expense report to ensure amounts were properly coded and calculated.

- **Subsequent Events Questionnaire**

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or agency prepared records.

Finding

Operating Leases Reporting Package

During our inspection of the operating leases reporting package, we were unable to determine the accurate amount of future minimum lease payments owed by the Commission for one lease due to the lack of adequate supporting documentation. The information provided included conflicting lease terms.

Management Response

The State Election Commission (SEC) concurs with this finding. This finding is a result of a rental agreement for a postage meter. The SEC is working with the State Procurement and Comptroller General Offices to resolve this matter so it will not be an issue in future closing packages.

Minutes

13. Inspect the agency's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

14. Select all five controls identified through the SCEIS GRC system that were in place during fiscal year 2019 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedure.

Appropriation Act / Laws

15. Confirm compliance with SC Code of Laws 10-1-140 by observing the inventory count documentation completed by management.
16. Confirm compliance with Proviso 117.13 by observing management's submission documentation to the State Human Affairs Commission.

Appropriation Act / Laws (Continued)

17. Confirm compliance with the selected agreed-upon agency-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Capital Assets

18. Haphazardly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.

We found no exceptions as a result of the procedure.

Status of Prior Finding

19. Through inquiry and inspection, determine if the agency has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedure.